

Senate Study Bill 3009

SENATE FILE _____
BY (PROPOSED COMMITTEE ON
COMMERCE BILL BY
CO=CHAIRPERSONS BEHN and
WARNSTADT)

Passed Senate, Date _____ Passed House, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to the payment of wages by payroll card and
2 making penalties applicable.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
4 TLSB 5640SC 81
5 kk/gg/14

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1 1 Section 1. Section 91A.2, Code 2005, is amended by adding
1 2 the following new subsection:
1 3 NEW SUBSECTION. 6A. "Payroll card" means a card issued by
1 4 a financial institution that enables the cardholder to
1 5 transfer the underlying funds to a merchant at the merchant's
1 6 point of sale terminal or to obtain cash by electronic access
1 7 to the underlying funds through an automated teller machine or
1 8 other electronic terminal authorized by the cardholder. For
1 9 the purpose of this subsection, "underlying funds" means the
1 10 amount of funds received from an employer by the issuing
1 11 financial institution in exchange for the issuance of the
1 12 payroll card to an employee.
1 13 Sec. 2. Section 91A.3, subsection 3, Code Supplement 2005,
1 14 is amended to read as follows:
1 15 3. The wages paid under subsection 1 shall be sent to the
1 16 employee by mail or be paid at the employee's normal place of
1 17 employment during normal employment hours or at a place and
1 18 hour mutually agreed upon by the employer and employee, or the
1 19 employee may elect to have the wages ~~sent for direct deposit~~
1 20 paid through electronic funds transfer, on or by the regular
1 21 payday of the employee, pursuant to direct deposit into a
1 22 financial institution designated by the employee or pursuant
1 23 to a payroll card issued by a federally insured financial
1 24 institution. An employer shall not require a current employee
1 25 to participate in direct deposit or to be paid by a payroll
1 26 card.
1 27 a. The employer may require, as a condition of hire, a new
1 28 employee to sign up for direct deposit of the employee's wages
1 29 in a financial institution of the employee's choice unless any
1 30 of the following conditions exist:
1 31 a. (1) The costs to the employee of establishing and
1 32 maintaining an account for purposes of the direct deposit
1 33 would effectively reduce the employee's wages to a level below
1 34 the minimum wage provided under section 91D.1.
1 35 b. (2) The employee would incur fees charged to the
2 1 employee's account as a result of the direct deposit.
2 2 c. (3) The provisions of a collective bargaining
2 3 agreement mutually agreed upon by the employer and the
2 4 employee organization prohibit the employer from requiring an
2 5 employee to sign up for direct deposit as a condition of hire.
2 6 b. An employer shall not pay wages pursuant to a payroll
2 7 card pursuant to this section prior to paying to the issuing
2 8 financial institution an amount equal to the wages due the
2 9 employee plus any fees relating to the issuance of the payroll
2 10 card charged by the financial institution. An employee may
2 11 cancel an election to accept payment of wages by a payroll
2 12 card by delivering a written notice of cancellation to the
2 13 employer not less than ten days prior to the next payment of
2 14 wages. Wages paid pursuant to a payroll card shall be made
2 15 available to the employee on and after the employee's regular

2 16 payday and subject to the disposable earnings limitations from
2 17 garnishment under section 537.5105.

2 18 EXPLANATION

2 19 This bill relates to the payment of wages by use of a
2 20 payroll card. The bill defines a "payroll card" as a card
2 21 that enables the cardholder to transfer the underlying funds
2 22 to a merchant at the merchant's point of sale terminal or to
2 23 obtain cash by electronic access to the underlying funds
2 24 through an automated teller machine or other electronic
2 25 terminal authorized by the cardholder. The bill defines
2 26 "underlying funds" as the amount of funds received from an
2 27 employer by the issuing financial institution in exchange for
2 28 the issuance of the payroll card to an employee.

2 29 The bill allows the payment of wages to an employee by
2 30 electronic funds transfer pursuant to a payroll card issued by
2 31 a federally insured financial institution. The bill provides
2 32 that an employer may not require a current employee to be paid
2 33 wages by a payroll card. Prior to paying wages by a payroll
2 34 card, an employer must deposit with the financial institution
2 35 issuing the payroll card an amount of funds equal to the wages
3 1 owed to the employee plus any fees relating to the issuance of
3 2 the payroll card that are charged by the financial
3 3 institution. The bill provides that an employee may cancel
3 4 the employee's election to accept payment of wages by a
3 5 payroll card upon written notice delivered to the employer
3 6 within 10 days prior to the next payment of wages due the
3 7 employee by the employer. Wages paid pursuant to a payroll
3 8 card are required to remain available to the employee on and
3 9 after the employee's regular payday and are subject to
3 10 garnishment only to the extent provided under Code section
3 11 537.5105.

3 12 A violation of any provision of Code chapter 91A is subject
3 13 to a civil penalty of not more than \$100 per violation.

3 14 LSB 5640SC 81

3 15 kk:nh/gg/14